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NATIONAL INTELLIGENCE DAILY CABLE

Thursday October 21, 1976

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On file Department of Agriculture
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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday October 21, 1976.

The NID Cable is for the purpose of informing senior US officials.

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WORLD GRAIN: Forecast

25X1 [] //Our revised estimate of world grain production for 1976-1977--excluding rice--is slightly more than a billion tons. This would be 8 percent above the figure for the last crop year and 3 percent above the record set in 1973-1974. World import demand for all grains will fall below the record level of last year.//

25X1 [] //These forecasts are based largely on the improved outlook for the grain market this year in the northern hemisphere, particularly in the USSR. The gains in the Soviet harvest more than offset the production losses and higher projected imports for Western and Eastern Europe as well as the expected drop in Australian production.//

25X1 [] //World grain stocks this crop year are likely to increase by 15 to 20 million tons. Wheat, primarily US and Canadian, will account for most of this increase.//

25X1 [] //Our estimate of world wheat production for this year is 390 million tons, about 10 percent above last year's level and generally in line with estimates by the US Department of Agriculture, the International Wheat Council, and the Food and Agricultural Organization.//

25X1 [] //Of the four major wheat exporters--Argentina, Australia, Canada, and the US--only Australia is expected to harvest a smaller crop this year. []

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[] Canada's announced record crop is a third larger than last year, and the US harvest is only slightly below last year's record.//

25X1 [] //The USSR boasts the largest increase of any major producer, 24 million tons more than last year's poor harvest. Although the wheat crop in both Western and Eastern Europe suffered from drought conditions, it still exceeds last year's low level.//

25X1 [] //We expect that global import demand for wheat for 1976-1977 will fall 6 million tons below last year's level and will be the smallest amount since 1971-1972. Improved wheat crops in Brazil, North Africa, and India will help ease overall import demand, and the cut in Soviet imports will more than offset larger European import requirements.//

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[] //A ready supply of wheat--especially in the US, Canada, and Argentina--points to strong competition for sales in the coming year.//

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[] //We estimate that demand for US exports of wheat will total 28.5 million tons compared with about 31.5 million last year. On the basis of US Department of Agriculture production and consumption estimates, this level of exports would generate a 40-percent jump in global stocks by June 30, 1977. Aggressive marketing by Canada and Argentina could further cut US exports.//

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[] //Largely because of the increased use of wheat for livestock feed, the Department of Agriculture is forecasting a 4-percent rise in global wheat consumption. Attractive wheat prices already have prompted some European buyers to switch from corn to wheat. Relatively low prices may boost wheat consumption and also lead to increased stockpiling in countries such as the USSR and India.//

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[] //World coarse grain production probably also will reach record levels, increasing by 40 million tons over last year largely because of the improved crop situation in the USSR.//

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[] //We estimate world corn production will be about 332 million tons, surpassing last year's record of 319 million tons. A bumper US harvest is expected to be supplemented by large increases in Argentina, Brazil, and South Africa. Increases in these countries will more than offset predicted shortfalls in Thailand and Europe.//

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[] //Our estimate of world import demand for corn is 4.1 million tons below the figure for the last market year. Soviet demand for corn imports will probably be 9.5 million tons below last year, but demand in Western and Eastern Europe is up because of the drought this summer.//

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[] //The exact level of Eastern Europe grain purchases from the West has been clouded by recent statements of possible increased Soviet shipments. Last year the USSR provided negligible amounts of grain to Eastern Europe and earlier this summer implied that this policy would continue another year. More

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recent reports suggest that these Soviet grain exports--notably to East Germany and Poland--may displace some quantities now expected to come from Western sources.//

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[REDACTED] //Most corn exports will continue to come from the US until southern hemisphere crops become available next spring. EC corn will not be exported to third countries, and Thailand's exports are expected to drop.//

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[REDACTED] //We estimate that demand for US exports of corn will total 39.6 million tons compared with the record 43.2 million tons shipped last year. Using the Department of Agriculture's production and domestic consumption estimates, we estimate that carryover stocks on September 30, 1977 will total nearly 10 million tons, compared with the low stock level of 7.9 million tons on October 1 of this year. [REDACTED]

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LEBANON: Situation Report

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[REDACTED] The cease-fire agreed on at Riyadh is scheduled to take effect this morning. It is unlikely that the combatants--particularly the Christians who have been fighting to improve their position in areas near the Israeli border--are prepared to honor the truce.

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[REDACTED] Assuming that the cease-fire goes into general effect today, it is supposed to lead to the withdrawal of armed troops and weapons from the major contested areas--first Mount Lebanon

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and the south, which are to be cleared within five days; then Beirut, with seven days; then the area around Tripoli, within ten days. This timetable is unrealistic at best. The existing Arab League peacekeeping force, only 3,000 strong, is in no position to supervise withdrawals or set up buffer zones and check points.

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[] According to Saudi foreign minister Prince Saud, the composition of the Arab League peacekeeping forces will be responsive to the desires of Lebanese President Sarkis--a formulation that suggests a large number of Syrian troops will be allowed to remain in Lebanon under the guise of participating in the security forces. If this is the case, it is unlikely that there will be any significant withdrawal by the Palestinians, leftists, or Christians.

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[] Even the Christians, who have been unhappy about Syrian gains in the Mount Lebanon area in recent weeks, can be expected to balk at turning over to their allies territory they have won--particularly in the south.

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[] Yasir Arafat would seem to have little hope of inducing his followers--let alone the Lebanese leftists--to accept such terms. The leftists are already suspicious because the Riyadh agreement made no mention of withdrawal by Syrian troops or the extent of Syrian participation in the peacekeeping forces. Leftist leader Kamal Jumblatt has already warned that the agreement cannot succeed unless the Syrians withdraw.

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[] Christian spokesmen, for their part, have complained about the 90-day lag between the various withdrawals and the time the Cairo accords--which would restrict the Palestinians to their camps--are to go into effect. Many Christian leaders believe that even if the accords--which are ambiguous and in part merely verbal--are fully implemented, they would be insufficient.

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[] It is not clear, for example, whether the Cairo accords would allow the fedayeen to retain heavy weapons inside the refugee camps. The Christians have said they are determined to exact such a provision. The Palestinians have been equally determined to resist.

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JAPAN: Leadership

25X1 [redacted] Prime Minister Miki's opponents in the ruling Liberal Democratic Party are preparing another attempt to replace him as party president at the party convention on October 31. Leaders of the anti-Miki camp, including Finance Minister Ohira, are expected to endorse Deputy Prime Minister Fukuda's candidacy publicly today.

25X1 [redacted] With the end of a relatively successful Diet session now in sight and with Miki insisting on serving a full three-year term, Miki's rivals are concerned that he will strengthen his hold as Prime Minister by presiding in December over the lower house election in which the Liberal Democrats expect to retain their controlling majority.

25X1 [redacted] By backing Fukuda for party president now, they hope to deny Miki credit for the party's electoral success and to set the stage for his removal as Prime Minister soon after the election.

25X1 [redacted] Fukuda generally can count on the support of about two thirds of the party, but is by no means assured of success at the convention. There is some sentiment--among both Miki's supporters and his opponents--that the leadership question should be resolved after, rather than before, the election. Unless Fukuda moves into open opposition by resigning from the cabinet before the convention, the convention probably will not even address the leadership question.

25X1 [redacted] As a result, Fukuda's supporters are once more urging him to make the decisive move--something he has refrained from doing since the beginning of the intra-party struggle last May.

25X1 [redacted]
CHINA: Announcement

25X1 [redacted] Demonstrations have begun in Peking, apparently to celebrate the appointment of Hua Kuo-feng as chairman of the Central Committee of the Chinese Communist Party.

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[] Word spread informally yesterday in Peking that the official announcement of Hua's promotion and the purge of four leading radicals was imminent. This morning the US Liaison Office and journalists in the capital reported that organized groups were marching through the streets and chanting support for Hua and denunciation of the radicals. []

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RHODESIA: Nationalists

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[] //Preliminary talks in Geneva involving the Smith regime, black nationalist leaders, and representatives of the British government are scheduled to begin today. The formal conference opens next Thursday. We present today brief sketches of the four black leaders invited to attend.//

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[] //Joshua Nkomo is the long-time president of the Zimbabwe African People's Union. Nkomo sees himself as the logical head of a black government in Rhodesia, and is willing to compromise considerably to achieve this. He is a relative moderate, well known inside Rhodesia; he draws most of his political support from the 15 percent of the black population belonging to the Ndebele-speaking ethnic group. Nkomo's faction has an organized military wing, but only a small minority of the guerrillas in the field belong to it.//

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[redacted] //Nkomo realizes that his future is largely tied to a negotiated settlement. He has the support of Zambian President Kaunda and is the black nationalist leader most acceptable to Ian Smith and many other Rhodesian whites. Paradoxically, Nkomo's faction has also long received support from the USSR.//

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[redacted] //Robert Mugabe is secretary general of the Zimbabwe-African National Union, which broke off from Nkomo's ZAPU in 1963. ZANU members come mainly from the Shona-speaking ethnic group, which includes 70 percent of Rhodesia's Africans but is badly divided among rival sub-groups. Mugabe reportedly will be installed as ZANU president at a party congress in Lusaka this weekend.

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[redacted] //Mugabe is currently working with Nkomo, but has indicated that this is only a temporary expedient. Although Mugabe is not a military commander, most of the guerrillas who relate politically to ZANU have accepted him as their spokesman at Geneva. Mugabe also enjoys the support of Mozambican President Machel and possibly Tanzanian President Nyerere.//

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[redacted] //Ndabaningi Sithole, who received a belated invitation to the conference at the request of the "front-line" presidents, is the founder and, at this point, still the titular president of ZANU. He has lost considerable influence among the black nationalists, however.//

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[redacted] //Sithole's presence in Geneva will sit poorly with the other blacks, especially if he is treated as their equal by any of the white participants. Sithole will probably try to enhance his own position by making deals with one or more of the other African groups.//

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[redacted] //Abel Muzorewa, the Methodist Bishop of Rhodesia, has been a significant political leader since 1972 when his African National Council organized the defeat of a compromise Rhodesian settlement favored by Ian Smith. In 1974 Muzorewa became head of an umbrella nationalist organization, also called the African National Council, which the "front-line"

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African presidents sponsored in an unsuccessful attempt to bridge the differences between ZAPU and ZANU. The umbrella group split last year into factions headed by Muzorewa and Nkomo, with ZANU aligned for a while with the Bishop but eventually opting out.//

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[] //Muzorewa, who is from one of the Shona sub-groups, apparently has considerable support among Rhodesian blacks. His faction has operated legally within the country, where ZAPU and ZANU have long been banned. Muzorewa does not control any military forces.//

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[] //Although Muzorewa has attempted to carve out an independent position for himself, he may agree to join temporarily with Nkomo and Mugabe in a loose alliance. During the talks, however, Muzorewa will probably be even more willing than the others to play whatever game appears most likely to further his ambitions. []

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WESTERN SAHARA: Polisario Attack

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[] Guerrilla units of the Algerian-backed Polisario Front last night attacked El Aaiun, the capital of the Moroccan sector of Western Sahara, according to Algerian press reports. The attack reportedly is the largest conducted against El Aaiun since Morocco and Mauritania took over the territory from Spain last February. We have no indication of the extent of damages inflicted on Moroccan forces.

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[] Moroccan forces apparently were caught by surprise, even though the guerrillas have been generally expected to increase their operations against Moroccan and Mauritanian forces as the Saharan summer heat gives way to more moderate temperatures.

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[] The guerrillas recently have increased their small scale attacks against Moroccan garrisons as well as ambushes against supply columns. The attack on El Aaiun, however, is the most daring action conducted by the Polisario since an early June attack on the Mauritanian capital of Nouakchott.

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[] According to a spokesman of the Polisario--a Saharan political-military organization that opposes the annexation of Western Sahara by Morocco and Mauritania--the guerrillas have interdicted three roads leading from El Aaiun. The roads mentioned include one to Tarfaya in southern Morocco, one to Semara, which is the traditional religious center for the desert territory, and one that runs along the coast to Cabo Bojador, a port probably used by the Moroccans to resupply El Aaiun and various outposts in the region.

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[] The guerrillas have been operating in the area and could possibly have interdicted the roads temporarily. If true, however, Moroccan forces undoubtedly will engage in operations to clear the area. []

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ITALY: Communist Discontent

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[] The Italian Communist Party is increasingly troubled by internal dissent stemming from its policy of cooperation with the Andreotti government.

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[] The Communist rank-and-file and some party leaders have always harbored doubts about Communist chief Berlinguer's "historic compromise" strategy, which envisions gradually increasing collaboration with the Christian Democrats culminating eventually in a full-scale governing alliance with them. Berlinguer has repeatedly silenced skeptics, however, by scoring major successes at the ballot box and arguing that the party's gains vindicate his policies.

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[] More recently, the Communists held a 10-day nationwide series of meetings with party members to hear their views and explain the leadership's objectives. Nevertheless, discontent appears to have grown as Andreotti has moved to enact an economic austerity program--an effort that the Communist leadership has supported to a greater degree than any other major party. Some party members reportedly say it is hard to see what the party is getting in return for its cooperation with the government.

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[] Discontent with the austerity program among Communist supporters in the labor movement, meanwhile, has obliged the party to dispatch officials to key industrial centers to assure workers that their interests are not being sacrificed for political reasons.

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[] Dissension has also surfaced at the leadership level. According to press reports, party president Longo in a speech to the party central committee yesterday appeared to associate himself with labor's grievances and suggested that Berlinguer's policy had yet to produce much in the way of tangible benefits for party supporters.

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[] Berlinguer will probably try to secure Christian Democratic agreement in Parliament to amend the austerity program so as to lighten its impact on lower income groups and put more of the burden on the wealthy. He could then claim that the party's relationship with the Christian Democrats enabled it to shield Communist supporters from an austerity program that would have been necessary in any event.

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[] //The party is likely to step up its propaganda activities among its rank and file to convince them that the party line is correct. There are signs, however, that the Communist leadership is resigned to a certain amount of dissension as it maneuvers to attain more influence in the governing process.

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[] Internal problems do not seem likely to pose a challenge to Berlinguer's leadership and policies in the near or medium term. He might come under heavier pressure eventually, however, if he fails to secure additional political concessions from the Christian Democrats.

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[] Berlinguer hinted at the central committee meeting this week that a bid for such concessions might be forthcoming in the near future. Although he observed that conditions were not yet ripe for the historic compromise, he argued that ways must be found to involve the Communists more actively in decision making and policy execution.

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[redacted] Berlinguer's strongest card in dealing with the Christian Democrats is their continuing need for assistance in keeping organized labor in line. Despite the problems the Communists are having with the unions, they remain the most influential party in the labor movement. Communist intervention was probably the crucial factor last week in the decision by Italy's main labor federation to protest the austerity program with a series of staggered local work stoppages instead of the nationwide general strike that more militant unions wanted. [redacted]

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